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Discount Store News®

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SECOND CLASS

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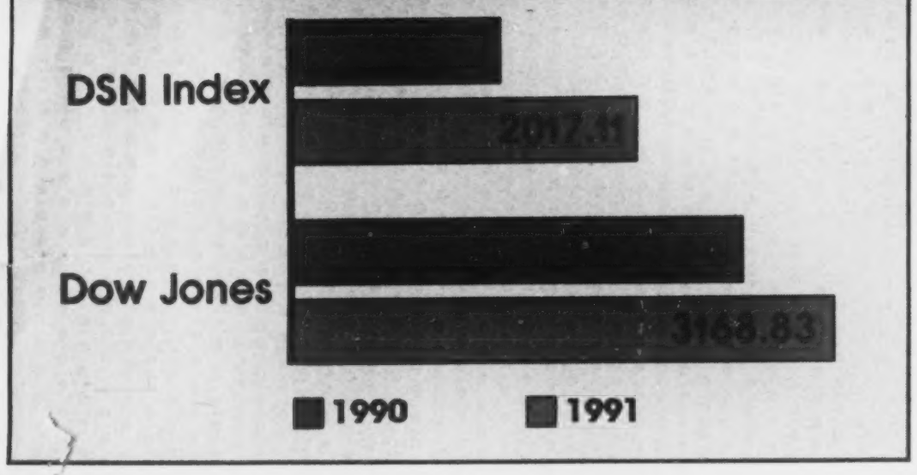

Shoppers Put the Merry Back Into Christmas '91

By Richard Halverson
DSN Nationwide Report

Holiday sales by discounters—especially those which targeted the specialty or niche market—fared better than department stores in December.

General merchandise retail sales at discounters rose about 2% in December 1991, compared to the same month last year, a sampling of chain results indicated, while same store sales at department stores, either were flat this past December or only a percentage point up or down.

For some discounters, this was the third lackluster Christmas season in a row. In addition, the same store sales gains that were logged in the 1991 holiday season represent only partial recovery from a weak Christmas in 1990, noted Walter Loeb, former retail stock analyst with Morgan Stanley who now heads his own research firm, Loeb & Associates.

Still, discounters fared better than others.

The department store division of Dayton Hudson, for example, reported a 1% gain, while May Department Stores logged a 1% decline, and J.C. Penney eked out a scant, 0.4% same store sales gain.

Adjusted for inflation, department store unit sales probably declined about 2%, estimated George Rosenbaum, chief executive officer of Leo J. Shapiro & Associates, a Chicago-based market research firm.

Examples of discounter gains for the month of December include: Venture, 3.7%; Kmart, 4%; ShopKo, 4.5%; Wal-Mart, 5%; and Target, 6%.

Chains with weak sales include both national and regional chains.

Same store sales at Sears slumped 1.8%, and fell 1% at Caldor and 0.5% at Rose's Stores. Even international retailers like F.W. Woolworth reported a 0.5% decline.

As a result, both Sears and Woolworth, plus a number of other chains, announced substantial cutbacks for 1992. Sears said it will cut 6,900 jobs this year and Woolworth may close 450 stores and layoff as many as 5,000 people.

(Continued on page 50)

DSN's Stock Index Soars to Record High

By Neil Nordby
Special to DSN

What a difference a year makes.

That's what investors in discount store stocks must have said to themselves as they laughed all the way to the proverbial bank in 1991's dizzying rally as Wall Street finally came to a close.

When the smoke had cleared and the books were closed on 1991, here's how the industry looked: each discount store stock, as represented by the Discount Store Stock Index, pole-vaulted nearly 800 points en route to a record high of 2017.11. One other way of looking at last year's results was thus: on average, the stock price of the 60 companies tracked on *DSN*'s discount store stock table increased an average of 65.5% in what was a record-breaking, one-year journey for these stocks.

But it wasn't at all like this in 1990. Instead, one year ago investors felt the stinging effects of the market's sudden and powerful reversal, and discount store stocks were singled out for special pun-

(Continued on page 15)

Sears Cuts 6,900 Additional Jobs

Chain's New Technology to Maintain Customer Service

By Richard Halverson

CHICAGO — In a further bid to become more efficient and competitive, Sears is trusting that new technology will enable it to maintain present levels of customer service even though it is closing all "customer convenience centers" and slashing customer service payrolls.

In addition, Sears is moving to stem the continued losses of its $4 billion catalog division by eliminating catalog order desks in 32 test stores.

Sears announced that it has purchased $60 million worth of electronic equipment: 28,000 computerized registers that will shift customer service functions onto salespeople, and 6,000 "customer service kiosks" that will allow customers to take care of many problems themselves.

As an offset, Sears expects to save $50 million a year in payroll costs by eliminating 6,900 more jobs: 1,000 customer service positions (including about 200 catalog order jobs) and 5,900 part-time clerical support staff.

Though it is eliminating the customer service centers, Sears will continue merchandise pickup service, either on the sales floor or out back.

The latest round of cuts brings to 39,900 the number of jobs Sears has cut over the past year and a half to reduce overhead. The total includes 14,000 full-time and 25,900 part-time jobs, but none are sales positions, Sears said.

Starting in 1992, Sears projects it will save $750 million a year, thanks to the payroll cuts.

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Consumers Are Reluctant To Lay Out the Green For Environmental Goods

Nationwide DSN Report

The halcyon days of the "green" revolution are over.

Consumers and retailers have discovered that protecting the environment can be an expensive proposition—and individuals and businesses have become wary about the cost.

What consumers want—and what manufacturers and retailers are trying to provide—are "green" products that are cost-effective and that don't demand radical changes in an individual's buying habits or lifestyle.

Consumers' growing wariness about the cost of buying environmentally-friendly products is evident from a series of studies that indicated that individuals are increasingly more likely to talk than buy "green."

See Retailing & The Environment page 41

A study which was conducted in 1990 by Gerstman & Meyers, packaging consultants, indicated that 83% of those questioned were inclined to buy "green" merchandise and that 61% reported they didn't buy goods because of concerns about the environment.

Another study conducted that year by the Roper Organization for S.C. Johnson & Son, "American Consumers: From Brown to Green," reported that consumers on average would pay 6.6% more for environmentally-safe products. The average price increase consumers said they would pay for common household goods that were more environmentally-friendly ranged from 6% for recycled paper products, 6.1% each for recycled plastic packaging and plastic products with less plastic, 6.6% for aerosols, 6.8% for biodegradable plastic packaging and 7.3% for soaps and detergents.

(Continued on page 49)

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What's in Store For IKEA: Four More STORs

Nationwide DSN Report

PLYMOUTH MEETING, Pa. — IKEA made it look so easy.

Display Scandinavian styled furniture in inviting room settings at low prices. Keep children entertained in a play area while consumers are steered toward self-serve boxed stock for home assembly of the furniture selected. Do this, and you too could develop a home furnishings chain with about $284 million in U.S. sales.

But there was more to this formula for success, executives at the IKEA look-alike called STOR have learned.

After three years of red ink—and an initial public stock offering last April that temporarily brought aid—STOR has turned to IKEA for salvation: STOR asked to be acquired by the Swedish home furnishings retailer.

The four-unit STOR, based in City of Industry, Calif., is expected to be sold for around $20 million, according to a company spokesman. STOR would help IKEA's emerging West Coast presence.

STOR signed a definitive merger agreement with IKEA Holding U.S. last month, whereby IKEA would acquire STOR for $3.10 per share in cash, conditioned upon the purchase of at least 90% of the outstanding common stock and all of the outstanding non-voting common stock when the merger takes place. Any other outstanding stock eventually would be acquired at the same price.

STOR sales, reported with a fiscal year closing at the end of March, have climbed from $8.3 million in 1988, to $33.1 million in 1989, then to $65.7 million in 1990, and finally to $70.4 million for 1991. But the bottom line has plummeted. Operating losses swelled from $7.2 million in 1988 to $11.2 million for the end of the 1991 fiscal year.

Three of STOR's locations, averaging 160,000 sq. ft., are in the Los Angeles market. The fourth unit is in Houston. The average size of IKEA stores is just over 200,000 sq. ft.

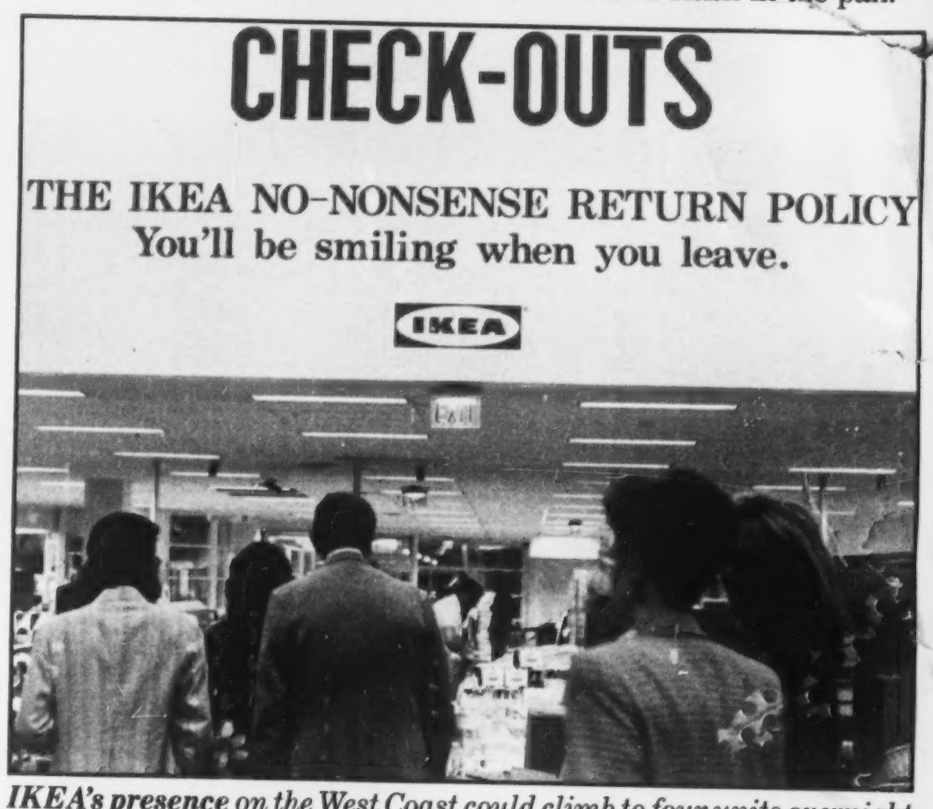
IKEA now operates only one West Coast store, in Burbank, Calif. The chain had reported plans to saturate Southern California with a total of four units, long before STOR was up for sale.

The similarities between the two home furnishings chains were sufficient for IKEA to file a lawsuit in 1988 alleging copyright infringement of IKEA catalogs and trade dress infringement. While financial claims by IKEA were dismissed with prejudice, STOR did agree to modify its store layout, to take down flags of Scandinavian countries at the store, and to modify advertising and catalogs.

The sheer size of IKEA—100 stores in 25 countries and global sales of $3.8 billion—brought with it the economies of scale that STOR and other competitors would be hard-pressed to rival. The first STOR annual report, issued in June 1990, admitted the chain was "still in its formative stage," and that it would "take time for the company to reach the sales volume necessary to fully realize its potential economies of scale."

But despite STOR's track record, yet another competitor called HOME, in Chicago, has also developed a format which is nearly a mirror reflection of IKEA. While HOME has the advantage of not being faced with IKEA's presence, Chicago is likely to be among the new markets IKEA would attack.

Even one of the first IKEA imitators, HomeWorks, a store-within-a-store concept opened in 1987 by a company the size of Federated Department Stores (for its Lazarus and Foley's stores), was little more than a flash in the pan.



***IKEA's presence** on the West Coast could climb to four units overnight with the acquisition of STOR.* (DSN photo)

Miami to Play Host to IMRA Conference

MIAMI — Executives from discount chains such as Wal-Mart, Bradlees, Target, ShopKo, Hills and Clover, plus members of the manufacturer community will be among those speaking at the International Mass Retail Association's ninth annual Store Operations & Human Resources conference held here Feb. 26 to 28.

The conference is designed to help executives explore the best means for effectively integrating personnel and technology in order to streamline chain operations profitably.

Sessions include "Increasing Profitability Through People and Technology," introduced by the chairman of the IMRA, Norman Chalphin, senior vice president, stores & operations with Bradlees. Also speaking at the session will be Don Soderquist, vice chairman and chief operating officer of Wal-Mart.

Scott Copeland, regional vice president from ShopKo Stores, will be the speaker for the session titled, "Plan-O-Gramming & Stocking," while "Automated Scheduling" will be introduced by Susan DeNuccio, vice president, stores & distribution and personnel at Target Stores with Boscov's vice president, director of stores, Joseph M Fabrizio speaking.

Non-retailers at the podium will include Michael Hughes, executive director, American Greetings Corp.; William Parsons, president and chief operating officer of Senn-Delaney Management Consultants; Joseph P. Viviano, president of Hershey Chocolate, U.S.A. and others.

During the conference, the IMRA will distribute material to help chains address the Americans with Disabilities Act at their store. The booklet is entitled, "ADA Compliance Manual: A Practical Guide for Mass Retailers."

For more information, contact the IMRA in Washington, D.C. at (202) 861-0774, or by fax at (202) 785-4588.

Discount City Debuts in the Bahamas

NASSAU, Bahamas — This island's first discount store is scheduled to open here in March.

Called Discount City, the 5,000-sq.-ft. store will offer an everchanging list of "miscellaneous" merchandise, said cofounder Craig Walkine.

All merchandise will be priced below $10. Margins will range from 100% to 150%, he said, and added that import duties add 5% to 35% to the price of all items in the Bahamas.

Walkine said he and his two partners—each with marketing experience but no retailing background—will seek out opportunistic buys of all kinds: closeouts, overruns, etc.

Ultimately, Walkine and his partners plan to have three to four stores in Nassau and units throughout the country's 20 islands.

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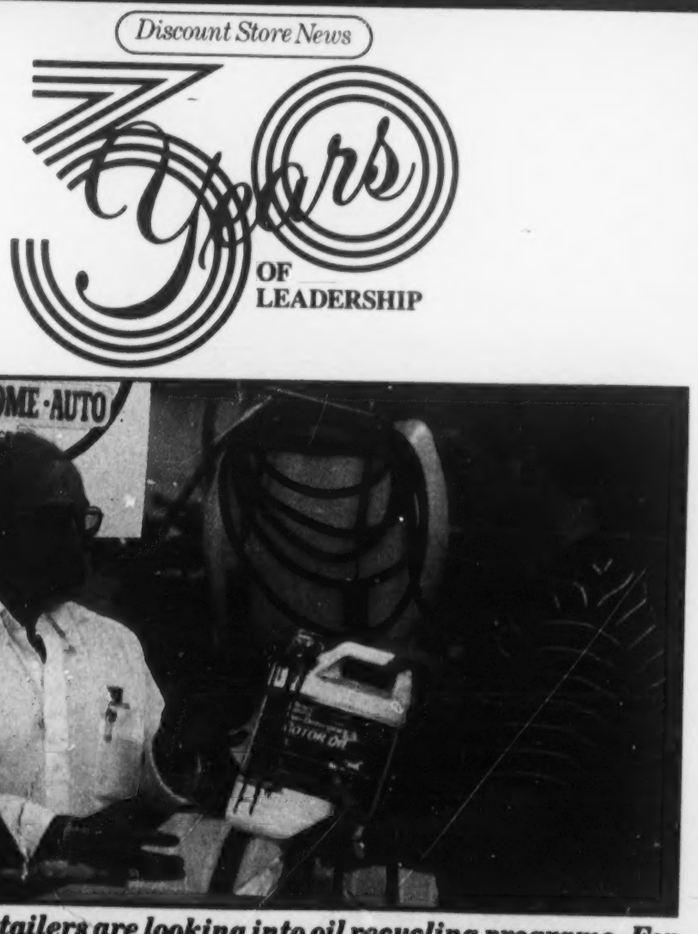

More and more retailers are looking into oil recycling programs. For a closer look at their efforts see story on page 41.

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MARKETWATCH

Wal-Mart Policy Protested at CES

LAS VEGAS — Friends For Free Enterprise, a Dallas-based organization representing independent sales reps and brokers across the country, picketed outside the convention center here at the winter Consumer Electronics Show. The demonstrators carried signs stating, "Wal-Mart's Way is Not the American Way," in protest of the chain's decision to force manufacturers to stop using independent sales reps and to deal directly with Wal-Mart buyers *(see* DSN, *Jan. 6, page 1).* The picketing, part of a larger campaign, was designed to inform suppliers, representatives, brokers, retailers and consumers they will be adversely affected by Wal-Mart's policy.

Japan's Toys 'R' Us Welcomes Bush

KYOTO, Japan — President George Bush addressed thousands of waiting customers in the parking lot of Toys "R" Us' second store here Jan. 7 in the Kashihara-Nara Prefecture, south of Kyoto, Japan. Toys "R" Us chairman Charles Lazarus introduced the president, who was on a tour of the Far East. The prototype's 45,000-sq.-ft. store followed the successful opening of the first Toys "R" Us store in Japan Dec. 23, 1991. That store, located in the Arakawacki-Ibaragi Prefecture, northeast of Tokyo, culminated three years of intense preparation for entry into Japan. The entry symbolizes progress in U.S.-Japan bilateral trade negotiations, spearheaded by the U.S. government and Toys "R" Us. Until recently, large retail stores have been prohibited from opening in Japan due to a complex series of regulations and barriers.

Kmart Looks to Hawaii for Expansion

TROY, Mich. — Kmart will be expanding into the Hawaiian Islands with the purchase of both a store and a store site from Pay 'N Pak home centers—which recently filed for Chapter 11 protection—for about $30 million, said a source close to the negotiation. The store site is located in Honolulu on the island of Oahu, and the parcel of land is on the island of Maui. Officially, Kmart said it is "looking in Hawaii, as we are in all states, but we haven't confirmed any locations in Hawaii at this time."

Fred's Reports Healthy Sales Gains

MEMPHIS, Tenn. — Fred's, the 142-unit variety store and pharmacy retailer based here, reported a near doubling of operating income for the third quarter ended Nov. 2, 1991 and healthy sales gains. Operating income jumped by 92% to just under $3 million, and net income—which was a loss of $610,000 last year, reached $867,000 in the black for the quarter in 1991. Sales for the quarter were up 8% to $72 million.

Wal-Mart to Phase in New Rack Jobber

BENTONVILLE, Ark. — Wal-Mart during the year will phase in its subsidiary Western Merchandising, acquired a year ago, as the video rack jobber in 270 stores. Western Merchandising will replace Handleman Co., but that rack jobber will be used to service about 120 Wal-Marts due to be opened this year.

James Berk Named CEO of BizMart

ARLINGTON, Texas — BizMart, the 72-unit office superstore chain, named James Berk, president and chief executive officer, succeeding BizMart founder Ron Stegall, who retired.

Sprouse-Reitz Files for Chapter 11

PORTLAND, Ore. — Sprouse-Reitz Stores filed for Chapter 11 protection after the variety store chain's primary lender failed to renew its credit line. New management and merchandising programs were instituted earlier this year, but sales and profits have been slow to improve.

S.E. Nichols Emerges From Chapter 11

NEW YORK — S.E. Nichols, the 14-store chain of deep discount drug stores operating under the Pharmhouse name, emerged from Chapter 11 Bankruptcy late last month. The one-time discount store chain filed for bankruptcy protection from its creditors August 2, 1990.

Managers' Influence Survey

Consumables Sales Ring in on Local Tastes, Preferences

Nationwide DSN Report

Discount store managers exert the most influence on departments where sales are sensitive to local preferences, especially where consumers can select from among a wide variety of what are often similar products.

The typical discount store manager's influence ranges from being able to buy specific products locally to insuring that headquarters merchandisers purchase the specific items and name brands that consumers in his market favor.

Among all the discount store managers surveyed by *DSN* in its annual Top Brands study, *(see* DSN *Oct. 7, 1991, and Oct. 21, 1991)* just over a quarter said they had the greatest merchandising influence on two leading consumable departments—food, candy & snacks and health & beauty care. Slightly over 16% said

(Continued on page 49)

Departments Where Managers Wield The Greatest Influence

Food, Candy and Snacks	26.0%
Health and Beauty Care	26.0
Housewares	16.4
Hardware	12.3
Sporting Goods	11.8

Source: Leo J. Shapiro & Associates

Soviet Store Offers Russian Goods Via U.S.-based 'Marriage Broker'

By Pete Hisey

MIAMI — Despite all the turmoil in the former Soviet Union, opportunities for Americans doing business there have never been better, according to directors of The Soviet Store, based here.

Now a commonwealth, the former Soviet Union "is based in Minsk, where we're also based, and that is the most stabie, entrepreneurial area of the Soviet Union," said Robert Dickstein, the company's president.

The Soviet Store is really neither Soviet nor a store. It is an American-based corporation that maintains a showroom of Russian-made products and acts as a "marriage broker" between American manufacturers or retailers and Russian production factories. "The price of labor in the Soviet Union is actually below that of the Third World," Dickstein noted. "And you get what is probably the most highly educated workforce in the world."

The Soviet Store represents about 40 factories, most in Belorus, formerly known as Byelorussia, which produce fine ceramics, apparel, gift items, tires, and industrial supplies.

Recent deals include factories that make bicycles, swimsuits, folding chairs, watches and computer software. In fact, a "household name" in the swimsuit business will be bringing the swimsuits here under its name, said Dickstein, preferring not to identify the company.

The Soviet Store acts as more than a simple middleman. It sponsors tours of the Russian factories, arranges for full Western-style services within the country (including legal assistance, translators, accountants and advisors familiar with dealing with the often labyrin-

(Continued on page 49)

HIA Survey: Crafts Up 4% in '91

NEW YORK — The craft and hobby industry was projected to be a $6.8 billion market last year, up 4% from 1990, Hobby Industries of America revealed here before a gathering of retail executives, manufacturers, financial analysts and reporters.

The number of households engaged in craft and hobby activities was determined to be 77% in 1990, up from 64% just two years prior.

The findings disclosed at the meeting were only a portion of those from the HIA's survey. A full report will be presented to the industry at the HIA convention in San Diego this week *(see story page 33).* The survey was conducted in 1990 and reflects actual 1990 figures and projected data for 1991.

Retailer, manufacturer and consumer populations were each surveyed, with a high degree of correlation between the retailer and vendor groups and only certain areas of discrepancy with consumers.

For instance, consumers expected sewing would represent nearly 30% of their total craft and hobby spending for 1991, while retailers estimated sewing and notions would account for only 2% of sales. Some discrepancies were the result of differences in the way each group classified a particular activity.

The projects most frequently undertaken by consumers include fabric painting or decorating (wearable art) with over 65% engaged in that activity. Other hot projects include woodworking, ceramics, floral arranging and wedding/bridal floral crafts.

Wal-Mart President/CEO Glass Top Exec at Bottom of Pay Heap

WASHINGTON — The United Shareholders Association, a stockholder rights action group, reported that Wal-Mart president and chief executive officer David D. Glass was the most underpaid top U.S. executive of a public company.

In a-first-of-a-kind study, USA matched top execs' actual total direct compensation against a model "competitive" compensation that weighs in such factors as size and performance of the firm, stock price appreciation and dividends.

The selective listing of 1,000 executives, developed by Prof. Graef S. Crystal of the University of California at Berkeley, a leading compensation expert, shows that Glass had a TDC of $980,000 vs. a model TDC of $10.89 million or an undercompensation of $9.91 million.

Other discount execs, their TDC and model TDC include:

Richard L. Sharp, Circuit City, $1.06 million, $4.19 million; James Sinegal, Costco, $530,000, $2.02 million; Robert E. Price, The Price Club, $240,000, $1.28 million; Edward A. Brennan, Sears, $980,000, $2.7 million; Joseph E. Antonini, Kmart, $1.55 million, $3 million; Roy M. Speer, Home Shopping Network, $420,000, $910,000; Raymond Zimmerman, Service Merchandise, $840,000, $1.38 million; and Leon Levine, Family Dollar Stores, $500,000, $800,000.

USA's overcompensated execs included Bernard Cammarata, TJX Cos., $2.83 million, $1.22 million; Norman A. Ferber, Ross Stores, $2.47 million, $710,000; and Charles P. Lazarus, $8.25 million, $2.57 million.

EDITORIAL

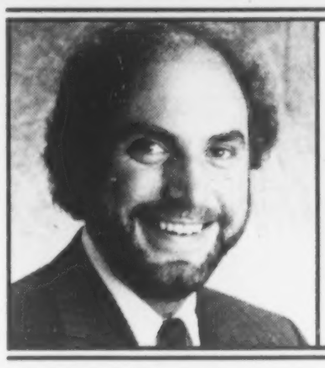
Recession: Retailer's Delight or Dilemma?

Conventional wisdom tells us that during tough economic times when high-end retailers struggle, discount retailers thrive.

Well, maybe it's time to rewrite this old adage because it isn't exactly what's happening out there, is it?

The recent controversy in college football over which team should be the national champion poses somewhat of a similarity to predictions for the retailing industry in 1992.

Obviously, no one can agree on a champion football team and no one can agree on what kind of year it will be, not only for the retailing industry, but for the country as well. Analysts, economists, consultants and journalists spend endless hours preparing and debating their predictions and hypotheses. But, what impact does all this have on your business? How much of this information is really helpful or necessary?



TONY LISANTI
Editor

Consider this scenario:

On one side you have the AP Poll, or in retail circles better known as the Associated Pessimists. On the other side, you have the UPI Poll, or Upbeat Persons International.

According to the AP Poll, the holiday season was—guess what—disappointing and looking ahead business will remain—guess what—dismal.

Said one analyst, who has a vote in the AP poll, "The recession that is headed into a double dip by mid-1992 and possibly into a depression in some regions has strangled consumer spending leaving retailers with flat sales at best."

The analyst pointed out that three retailers this year have already succumbed to the recession by filing Chapter 11 and closing stores. They include Zale Jewelers, Sterling Optical and Seaman's Furniture, all top chains in their respective segments.

On the other hand, according to the Upbeat Persons poll, the recession will end by the second quarter and consumer spending will rise. Said one respondent in the UPI Poll, "It's a presidential election year, the economy will get better, business will rebound."

"So what," replies Joe Discounter. "So I already know it's a tough market, but consumers will trade down, I'll be OK."

So what's an executive to believe. And does it really matter?

The best strategy during these uncertain times is business as usual.

Despite the continued economic uncertainty, discount retailers continue to fare well overall albeit not as great as in previous years. The recession has been bittersweet for discount retailers.

But Americans are definitely downscaling and discounters should be dancing. This is the trend for the 1990s.

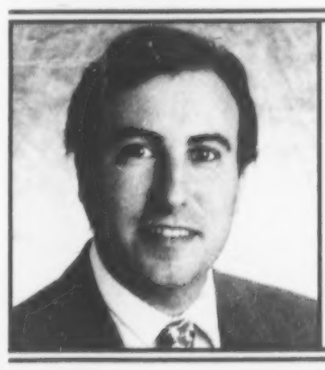
The magic of discounting is real, but it isn't guaranteed. A successful discounter must be more than just an everyday low price retailer. A successful discounter must be a well run business in every facet of operations. Because if a discounter can't thrive or even survive in a recession, then something is seriously wrong. The recession and downscaling of America poses an opportunity for discounters, but "you know it don't come easy."

BUYERS & SELLERS

Partnerships Serve Needs of '90s Consumers

Relationships. Partnerships. Strategic alliances. Whatever the buzzword you use, the overriding merchandising issue of the '90s concerns the changing bond between supplier and retailer.

Bill Marter, vice president of trade development for the Ambassador Cards division of Hallmark, has been in a unique position to view the struggles of both retailers and suppliers as they challenge the old ways of doing business. "Many people criticize partnership as altruistic and say it'll never work," said Marter recently. "I've heard them say, 'Retailers want profits, not partners.' "



DON LONGO
Exec Editor

Marter, who is chairman of the Partnership Steering Committee of the International Mass Retail Association, points out the flaws in that thinking. "In relationships, we have little choice in the matter," he said. "We're born into relationships and our work brings us into relationships. You've got to build trust based on having similar needs, being willing to share and communicate."

IMRA recognized the role it could play in strengthening relationships between retailers and suppliers a little more than a year ago. In creating the Partnership Committee, the association showed that it can be a proactive force in the industry beyond legislative matters. IMRA can help place retailers and suppliers into an environment conducive to communication and can help both parties better understand the universal needs of the industry. One of the objectives of the Partnership Committee is to encourage the "sharing of ideas and resources that will ultimately increase sales and profits for both parties." Among the functions IMRA can perform to promote this objective are: education on both merchandising and technology issues; creating a database of information about the mass merchandising industry; establishing a code of ethics for operating within this new business environment; promoting the proper use of Universal Product Code; and encouraging the use of compatible systems industrywide.

The Partnership Committee rose to prominence at last year's IMRA convention in Dallas. Partnership was the theme of that convention. This year, the Partnership Committee, under the wing of IMRA's Associate Member Committee, has a new project: A special consumer research report on attracting and keeping customers in the '90s. A presentation on the results of that study is sure to be one of the most interesting and actionable sessions at the 1992 IMRA convention, May 16 to 19 in Orlando, Fla.

Any retailer or manufacturer who needs guidance on how to create better relationships with his or her business partners should contact Stephen Sibert at IMRA (202) 861-0774. Steve is IMRA's liaison to the Partnership Committee.

By communicating and sharing ideas, retailers and manufacturers can put more emphasis on selling, rather than buying. Retail buyers can be merchants, not order writers, and both retailers and suppliers can focus on better serving the needs of the ultimate customer: the American consumer.

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Shoppers Put the Merry Back Into Christmas

(Continued from page 1)

Although same store sales gains are the best indicator of chain results, they must, of course, be viewed against the total chain picture.

Jamesway, for example, reported a 4% same store sales gain for December, although total chain sales fell for the month because it closed 24 of the 136 stores it operated a year ago.

Some specialty and niche discounters disclosed enviable gains, ranging from 7.9% (for the eight weeks ended Dec. 28) at Toys "R" Us, 9.2% (for the five weeks ended Dec. 28) for Value City, and 55% (for the four weeks ended Dec. 28), for BizMart the Dallas, Texas-based office products chain.

50-Off Stores, an off-price apparel chain in Austin, Texas, also enjoyed a spectacular Christmas, reporting a 54.1% same store gain for the five weeks ended Dec. 27.

As *DSN* reported, a pre-Christmas Shapiro survey concluded that a record percentage of consumers, 61%, expected to spend less on Christmas, 1991. That was an increase over last year when 52% said they expected to spend less at Christmas, 1990.

Prompted by intensive promotion, "consumers actually spent more than they intended" this past Christmas, Rosenbaum said. Shapiro is concluding a survey to determine exactly how much they did spend, on average, he added.

Improvements for some discounters came in part from price promotions, and by putting pressure on margins.

"Profits were under pressure," Rosenbaum said. Generally, "it wasn't a profitable Christmas for discounters."

The 6% same store gain at Target was in part a result of a larger number of unadvertised specials than the year before, said the chain's spokesman George Hite. "There was a lot of pressure on prices," he said. "We captured market share, but margins were under pressure."

Retailers "face a totally new era," Loeb warned. The new reality is that "consumers proved how value-conscious they are," he said. Worried about jobs, taxes and the recession, consumers bought late this year and bought mainly necessities.

"My educated guess is that any gains came 100% from planned promotions," he said. "Department stores marked down everything."

Bucking the holiday markdown epidemic, Dollar General, Scottsville, Ky., marked down nothing and still enjoyed a 20% same store gain in December. "We understand value merchandising," chief financial officer Bruce Quinnell said.

Dollar General does not conduct promotional sales, Quinnell said, and basically doesn't mark down merchandise.

"We either sell-through or hold goods until they sell. We might carry product for a year," he said. He estimated that the chain marks down only 2% of its dollar volume, and one point of that is because merchandise is damaged. "Price corrections" account for the other point and Dollar General makes any price cuts permanent .

Dollar General carries only low-priced basics and commodities and caters exclusively to low-income consumers in the South and Midwest. "All of our toys cost less than $10. About 70% sell for $5 or less," he said.

While most retailers were trimming inventories, Dollar General increased overall inventories by 6%, including a 400% increase in small appliances, Quinnell said.

"Next year, we'll buy more small appliances," he said. By stocking off-brands and closeouts, Dollar General can offer small appliances, such as toasters, small irons and can openers, for $10, he said.

"In our radio advertising, we emphasized our in-stock position," Quinnell said. Much of Dollar General's sales came late in December, a 37% gain in the fourth week, he said.

"I suspect that a lot of our customers either tried other stores first and found them out-of-stock or never tried them at all because of all the media publicity about low inventories," Quinnell said.

Based on informal queries of a number of its 1,523 stores, Dollar General found that increased customer counts and increased per-ticket expenditures accounted for much of the 20% same store sales gain, Quinnell said.

But the cfo acknowledged that Dollar General is too economy-minded to pay for studies of exact customer counts and per-ticket averages.

Hard lines sales gains ran 30%, he said, while clothing sales were only "OK," at 6%.

"We learned a few things about clothing [such as $10 sweaters, jeans and tops] this year and will be better positioned to sell soft goods next year," Quinnell said. For competitive reasons, he declined to disclose what his chain had learned.

What Managers Influence: Survey

(Continued from page 4)

they impacted housewares, while one in 10 said their influence was felt in hardware and sporting goods.

The greater influence in marketing the two consumable departments is due to the volatile nature of the merchandise in these two areas—the continuous consumption of goods by consumers who exhibit local buying preference from an assortment of products.

Although consumers don't purchase housewares, hardware and sporting goods with the same frequency as the two consumable sections, local preferences—for instance, dinnerware patterns, the interest in professional power tools in exurban markets and salt water fishing gear for ocean communities—also are key factors in merchandising the three hard goods departments.

The merchandising influence of managers at the three major discounters—Wal-Mart, Kmart and Target—varied, reflecting different buying philosophies of the chains. Wal-Mart tends to give managers more say, while Target is oriented to greater control from headquarters and Kmart falls in between the two extremes.

Managers at all three chains felt they had the greatest influence in marketing food, candy and snacks. Half of Target's managers, one-third of Wal-Mart's managers and 28% of Kmart's managers said they influenced this category.

The situation changed significantly for health & beauty care, with 32% of Kmart's managers, 30% of Wal-Mart's managers and 11% of Target's mangers noting any impact here. The greater merchandising influence felt by Wal-Mart managers is evident in other categories as well: 24% noted household cleaners and chemicals; 20% cited housewares; 18% pointed to both hardware and sporting goods; 10% garden/lawn/patio.

Falling in the middle ground, Kmart managers cited housewares 22%, garden/lawn/patio 12%, sporting goods, toys and cosmetics, 10% each, and hardware 8%.

The circumscribed influence felt by Target managers was evident in the fact that only 7% said that they had a say in housewares, ladies' apparel and consumer electronics. No other category garnered even 5% of store managers.

The greatest marketing influence managers had was in determining how merchandise was displayed, with almost two-thirds noting they had a significant impact in this area.

Eight out of 10 Wal-Mart managers said they influence displays, while over half of the Kmart mangers felt the same way but only slightly more than one-third of Target managers cited any impact.

Managers noted much less input into other merchandising decisions: 28% noted a say in determining the amount of space given to different bands; 20% said they influenced which brands are promoted in their stores; 15% impact the decision on whether a brand is stocked in their stores; 13% said they influence headquarter buyers' decisions.

Here too, managers' influence varied by chain. Wal-Mart managers cited the greatest imput, with 38% saying they influenced both the amount of space and the promotion of brands, 36% the decision on which brands to stock and 12% the decisions of headquarter buyers.

Kmart managers' influence ranged from 22% for the space given to brands, 18% each for promotions and headquarter buyers' decisions and 8% on whether to stock a brand.

Only 9% of Target managers felt they impact the promotion of brands and whether to stock a brand, while 7% noted any influence on the space devoted to a brand and headquarter buyers' decisions.

Prange Way Adjusts Away From Parent

(Continued from page 3)

Sommer also appears in TV commercials sponsored by a state booster group called, "Buy Wisconsin First," in which he promotes locally made products and his chain.

In a merchandising shift to higher margin products, Prange Way is targeting its credit card customers with bill stuffers offering Wisconsin-made goods unavailable in its stores. They include: Flexible Flyer sleds, $39.99; Svoboda birdfeeders, $19.95; Svoboda mantle clock $299; and Stumpf Fiddle, $175.

Made in Sheboygan, the Stumpf Fiddle is a one-man-band percussion instrument with a bell, spring, wood sounding block and pie tins full of lead shot for musicians to beat on while pounding the whole contraption against the floor.

Bill stuffers also include a customer appreciation letter from Sommer that features a coupon good for 10% on the next purchase charged on a Prange Way credit card and a coupon for a $1.49 package of Prange Way peanut brittle.

Following a "tough spring," Prange Way enjoyed its "best third quarter in its history," Sommer said. Same store sales are flat this year, following a 3% decline in 1990.

As a private company, Prange Way declines to disclose sales and profits, however *DSN* estimates 1990 sales totaled $180 million.

Wal-Mart competes with Prange Way in nine of its 20 markets, but Sommer is confident that the worst of the impact of Wal-Mart's expansion into his home state is over.

When Wal-Mart comes to town, "our sales take a hit for a month or two but slowly come back," he said. Many of its stores are located in such small markets that Wal-Mart wouldn't be interested in coming in, Sommer said.

This year, Prange Way intends to replace its store in Madison and open an additional unit in an undisclosed market, Sommer said.

Jamesway Names Harris to VP Post

(Continued from page 3)

gain in profits, however, December sales were below plan.

Sales for the four weeks ended December 28, 1991 were $121 million, compared to $125.7 million a year earlier. The 1990 results did include 12 stores which the chain closed in March of 1991.

Same store sales for December increased 4% after sliding 6% in November.

Fisher noted that while store-for-store sales for December had improved over last year, they were still below plan. On the plus side, the December 1991 sales were less promotional than a year ago.

For the 47 weeks ended Dec. 28, 1991, sales were $811 million compared to $852 million for the same period a year earlier. Same store sales for the period increased 1%.

Jamesway operates 122 stores in seven Eastern states.

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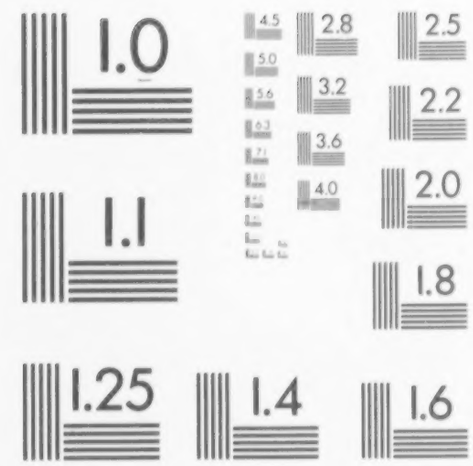

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SECOND CLASS

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Ames: Worth More Alive Than Dead?

Reorganization Plan Uses 'Carrot & Stick' Incentives

By Pete Hisey

ROCKY HILL, Conn. — Ames' reorganization plan, filed Jan. 13, appears to have the backing of vendors and factors, but elements of the plan are likely to draw criticism from bondholders and its main lender, Citibank.

The plan will:

- Pay out some $352 million in cash (of which $52.5 million was paid to Citibank in June 1990) to secured and unsecured creditors ($191.6 million to the former and $160.9 million to the latter);
- Distribute 100% of the stock (100 million shares of common and another 100 million shares of preferred stock will be authorized under the plan) in a projected new corporation to secured and unsecured creditors against $1.6 billion in liabilities.

Since the value of a reorganized Ames is projected to be between $700 million and $750 million, that represents a bit more than 50 cents on the dollar.

The stock will be distributed as follows: 47% to secured creditors, mainly Citibank, who will then have recovered roughly 64 cents on the dollar; 46% to general creditors, mainly vendors, who will recover about 39 cents on the dollar; and 7% to bondholders, who will recover about 5 cents on the dollar. Stockholders will receive nothing, and negotiations are underway with an employees committee to pay out up to $2,000 per former employee in accrued vacation and sick time, as well as severance pay.

"We think we've presented a solid foundation for continuing negotiations," said chief financial officer Peter Thorner, referring to a hearing set for Feb. 13 that will pit Ames and its vendors against Citibank and other creditors. "We have attempted to balance differing views."

Ames contends in its plan that it is clearly worth more alive than dead. "There is no compelling reason for dissolution," Thorner said. "We have accomplished a $240 million turnaround since the Chapter 11 filing, our cash balances are higher than projections, and we have the support of our vendors."

The company recently reported a miniscule 0.2% increase in same store sales for the month of December, the fourth consecutive month of same store sales increases. "December results, coupled with the filing of our plan of reorganization Jan. 13, demonstrate Ames' significant progress toward emerging from Chapter 11 as a financially sound and viable competitor in the retail market," said chairman Stephen Pistner, who added that he was "delighted" with the November and December results.

Sales for December totaled $430.5 million, slightly less than projected, but expenses were also considerably lower than projected, resulting in a pretax, interest, Chapter 11 expense and reorganization

(Continued on page 47)

Making it a Great-land Year

One Out of Four New Targets Will Be Greatlands

By Richard Halverson

MINNEAPOLIS — Target's new Greatland superstore figures prominently in the chain's expansion plans for 1992, accounting for almost one out of four planned new units.

Moreover, "most" of the 20 to 25 stores that Target intends to open when it invades the new Chicago market in 1993 will be Greatlands.

Out of 46 new stores that Target will open in three bunches in March, July and October, 11 will be Greatlands.

Moreover, Target is downsizing to a second, still-smaller prototype for Greatland. The first unit, opened in Apple Valley, outside Minneapolis in September 1990, came in at 169,000 sq. ft., the largest general merchandise store in the country.

But for the six Greatlands that it opened last October, three in Columbus, Ohio, one in Springfield, Ill., and units in the Minneapolis-St Paul suburbs of Plymouth and Shoreview, Target reduced its sights to a 135,000-sq.-ft. prototype.

The first three new Greatlands to open in 1992, all March 15, will also be 135,000 sq. ft.:

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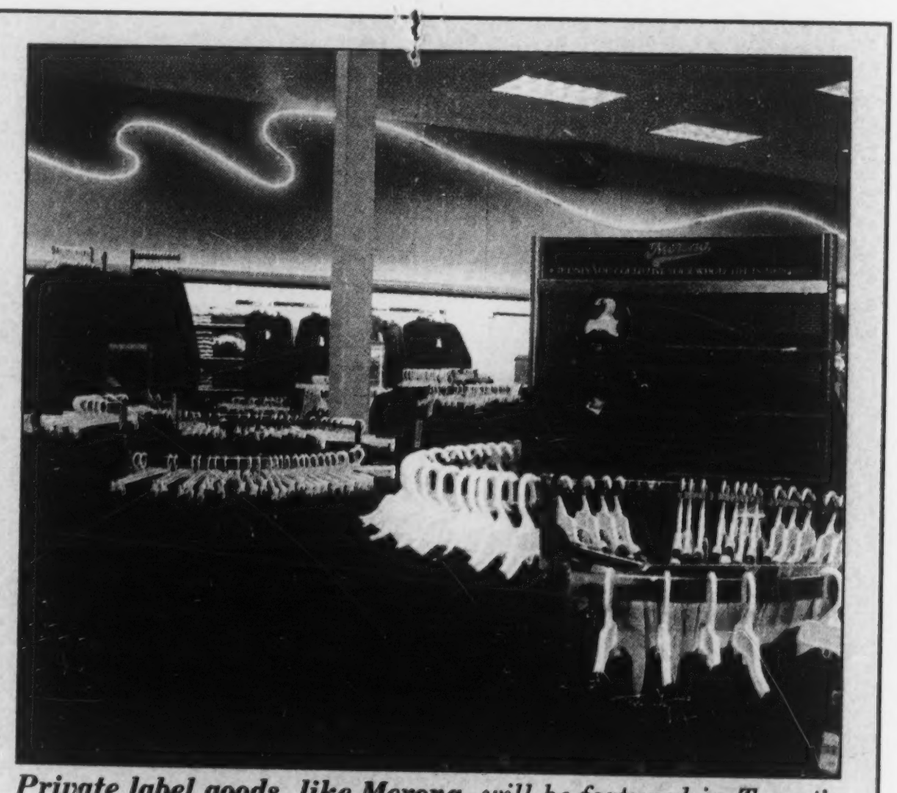

***Private label goods, like Merona,** will be featured in Target's new Everyday Hero specialty apparel store, opening in March.*

Newmark & Lewis: Another N.Y. Metro CE Chain Goes Out of Biz

By Pete Hisey

HICKSVILLE, N.Y. — Over 70 years of a metro New York retail heritage came to an end in mid-January when Newmark & Lewis decided to liquidate its business.

The company, which had filed for protection under Chapter 11 last year, was pounded by a rocky Christmas season in which it found itself out of stock on important holiday products. Company president Ron Fleisher traveled to the Consumer Electronics Show to attempt to sell the 14 remaining stores, but found no takers. Meanwhile, the chain continued to lose "millions" each month, with no short-term hope of a turnaround.

Newmark & Lewis, at its height two years ago, operated 67 stores with total sales of some $300 million, making it one of the largest regional CE chains in the United States. And, un-

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Kmart Severs Ties with IMRA

By Don Longo

WASHINGTON — Kmart, the nation's second largest retailer, withdrew from the International Mass Retail Association because it felt that there was too much overlap of activities between IMRA and the National Retail Federa-

(Continued on page 50)

Target Closes the 'Gap' On Specialty Stores With New Apparel Unit

By Jill Lettich

MINNEAPOLIS — Target Stores will debut an all-apparel specialty store March 21. Called Everyday Hero, the first unit will be a 25,000-sq.-ft. store in the Knollwood Mall, located in the Minneapolis suburb of St. Louis Park.

A second Everyday Hero store is scheduled to open Aug. 7 in the 4.2 million-sq.-ft. Mall of America in Bloomington, Minn.

"A warm, comfortable specialty store feel" is the mood the new stores are after—a mood that will create an atmosphere much like The Gap and The Limited, but at a lower price point.

The specialty store tests are playing to Target's strengths in every area, particularly merchandising

(Continued on page 49)

Kmart Technology Improves Customer Service

By Arthur Markowitz

TROY, Mich. — Kmart plans to investigate five new technology projects designed to improve customer service as part of its growing commitment to using retail technology to make its stores more customer-friendly and easier to shop.

Last year, the discounter launched its initial customer service research and development effort by looking at five projects and eventually piloting two technology tests.

The two projects were:

- The ShopperTrak system, which is being tested in the Westwood, N.J., Kmart (see *DSN*, Oct. 7, 1991, page 6). It's due to be expanded from just monitoring shoppers entering the Kmart to tracking actual customer traffic within the store and in departments. Kmart is also considering installing ShopperTrak in five more stores.
- Interactive multimedia kiosks are being tested in four departments in three Detroit stores (see *DSN*, Jan. 20, page 39), and as a department locator/'electronic flyer' terminal. Kmart plans to end this project next month and then evaluate the results before deciding on such steps as further tests, upgrading the kiosks to include selling merchandise for home delivery or rolling out the terminals to more stores.

Kmart's Corporate Information Systems' Research and Development group proposes projects based on its own research and ideas presented by technology vendors. Based on recommendations from the R&D group, an R&D steering committee which is composed of seven top Kmart executives, selects the projects that are probed in-depth.

The retailer started its customer service R&D effort a year ago when chairman Joseph Antonini charged the R&D group with using technology "to push the envelop of customer service," said David M. Carlson, senior vice president, CIS, during a demonstration of the kiosk system at last month's National Retail Federation's annual convention which was held in New York.

Kmart declined to identify the three technologies it didn't pilot last year; one is now being pursued by another discounter. This year's projects are to be selected shortly.

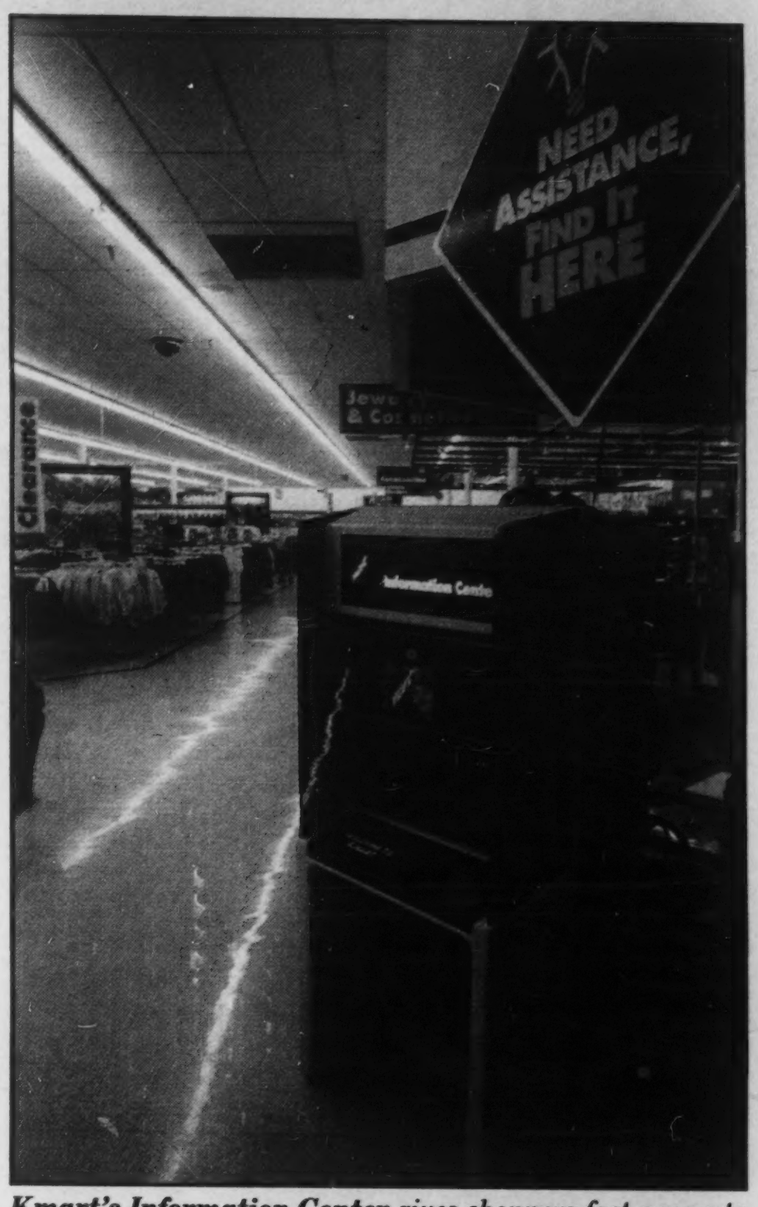
Kmart looked at ShopperTrak, developed by Datatec Industries, after Antonini read about the technology in *Business Week* magazine. The retailer asked vendors for RFPs (requests for proposals) for kiosk technology and IBM, working with DCI Marketing, won the bid.

ShopperTrak's monitoring of customers entering the Westwood store is correlated with the number of transactions so that Kmart can determine the conversion rate of shoppers who actually purchase goods. Extending the test to real-time tracking of customers traffic throughout the store and in individual departments would enable Kmart to obtain more specific conversion information.

This finer level of information would allow Kmart to achieve a number of customer service objectives. These include sending clerks to busy areas and opening more checkouts before long lines develop. The discounter could also get a better fix on store layouts, the effectiveness of merchandising programs for specific departments and efforts to switch browsers to customers.

The Information Center projects involve five kiosks each in the Oak Park, Pontiac and Rochester, Mich., Kmarts. Each terminal costs between $10,000 and $15,000, apart from the software.

The terminals contain an IBM PS/2 model 57 PC, IBM model 8560 touch screen and a Magamtic printer. IBM uses its DVI (data video interchange) technology so that the kiosk's sound and motion come off the pc's hard drive without the need for CD-ROM, laser disk or VCR peripherals.



***Kmart's Information Center** gives shoppers fast access to store and product information with touch screen technology.*

One kiosk is at the front of the store and features a full-motion video of Antonini welcoming shoppers. Customers can use the terminal to see a floor plan of the store and also learn what merchandise is on sale. This electronic flyer is updated weekly via a floppy disk, but should the project eventually be rolled out to more stores, Kmart would use its satellite network to download the sales merchandise information onto the pc's hard disk.

The other kiosks, each with slightly different functions, are located in the automotive, consumer electronic, home decor and home entertainment departments. Each terminal features only the merchandise in that department.

(Continued on page 46)

Economists Discuss Retail Outlook at NRF

NEW YORK — With the backdrop of low consumer confidence, rising unemployment and depressed retail sales, four of the nation's leading economists did little to ease retailers' fears that 1992 will bring more of the same.

Predicting a modest to a robust recovery this year after the first half, the economists, speaking at a National Retail Federation seminar, "The Economic Consumer and Retail Outlook," agreed that a quick, full-fledged recovery is not in the cards. American consumers are still too worried about the security of their jobs and the stability of their own personal finances to lift the economy out of its doldrums.

Thousands of people looking for insight and answers to the depressed retail landscape packed a meeting room to hear from Richard Curtin, director, surveys of consumers, Institute for Social Research, University of Michigan at Ann Arbor; Stephen Roach, principal and senior economist, Morgan Stanley; Allen Sinai, president and chief executive, The Boston Company Economic Advisors; and Carl Steidtmann, vice president, chief economist, Management Horizons.

The seminar was moderated by Joseph Antonini, chairman and ceo of Kmart and first vice chairman of the National Retail Federation. Antonini began the meeting by declaring that consumers will look for value in the 1990s and that "the greed of the '80s is gone." He concluded the meeting by stating: "If retailers understand the consumer, they'll get the business," a point the economists generally agreed with

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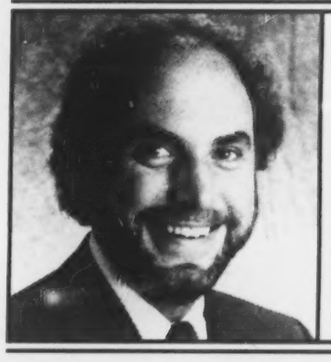
EDITORIAL

Closer Ties Could Benefit IMRA, NRF

There's a schism of sorts in the retailing industry that has made the headlines (see page 1) and rekindled the rivalry between the two largest retail trade associations in the United States—the International Mass Retail Association and the National Retail Federation.

The latest controversy centers on the withdrawal of Kmart Corp. as a member of IMRA, which was the subject of a letter from IMRA president Bob Verdisco to its members. The letter expressed regret about Kmart's decision to withdraw from "the only trade association entirely focused on the mass merchandise retail industry," and congratulated Kmart chairman Joseph Antonini for being elected chairman of a "trade association comprised primarily of department and specialty stores."



TONY LISANTI
Editor

Coincidentally, the letter was dated Jan. 14, the second day of NRF's annual convention, during which Antonini was inducted as chairman of NRF, and proposed a merger of the two associations. A merger had been previously proposed last May, but was rejected by IMRA's board.

One argument for a merger is a stronger and more powerful voice for all of retailing. But this isn't necessarily the case. I believe that both organizations are strong, viable and well-run, but the majority of their constituents are better served separately by each association. NRF's membership is still primarily department stores and high-end specialty retailers and independents, while IMRA is clearly the voice of mass retailing.

At this point in time, a total merger is unlikely. However, a closer working relationship is possible. One of the buzzwords of the 1990s is "partnership," and these two trade associations should practice what they preach.

And there is no reason why this isn't possible. In fact, I am willing to serve as a facilitator to help explore opportunities whereby both associations can work together.

While there is some overlap—albeit minimal—among members, issues and conferences, there is a potential for joint programs in some areas including ADA, human resources, legislative and international development.

BUYERS & SELLERS

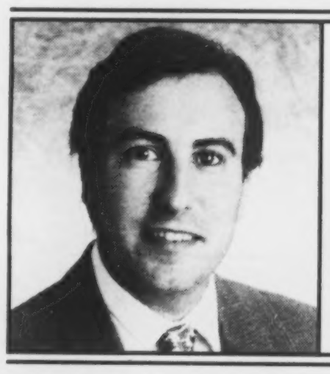
How a Trade Newspaper Should Serve Industry

What role can and should a trade publication play in the industry it serves?

That's a question that is often debated at gatherings of business press professionals as well as among retail industry executives.

One of the obligations of an effective trade publication is to bring buyer and seller together so they can more effectively sell their products. *DSN* has a long history of doing this through unique programs, such as SPARC (Supplier Performance Awards by Retail Category).

However, a viable trade publication is *not* a public relations vehicle for the industry. Credibility is the basis for everything useful that a trade publication can accomplish.



DON LONGO
Exec Editor

For example, *DSN* does not allow the subjects of its stories to approve articles before they are printed. In *DSN*, advertisements are clearly advertisements and are labeled as such when they even remotely resemble news pages. Advertisers are treated as valued customers and readers, but will never dictate the contents of *DSN*'s news pages.

DSN has no sacred cows. It supports the efforts of the International Mass Retail Association and many other trade associations. And retailers, suppliers or distributors get no special treatment due to their size or stature in the industry.

Objectivity and fairness are the driving factors in *DSN*'s coverage of industry news. Anonymous quotes are the exception, rather than the rule, in the pages of *DSN*. Furthermore, *DSN* editors must verify such anonymous information with at least three independent sources.

Readers have a right to disagree with our articles, and *DSN* offers readers an opportunity to voice their opinions through its Letters column.

This newspaper's editorial function is not necessarily to please the discount industry, but to help lead it. *DSN* is the authoritative source of information for the mass retailing industry. Its mission is to gather and disseminate information that helps retailers and manufacturers to make better decisions and be more successful in their business.

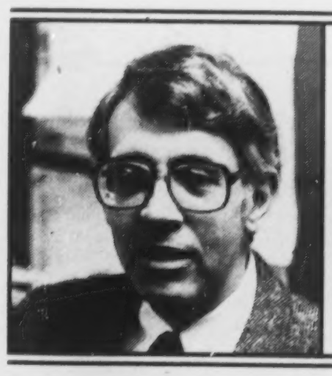
TAKING STOCK

Nyet for American Retailers in New Russia

American retailers for the next few years should forget about participating in the transformation of the former Soviet Union into the free-market Commonwealth of Independent States.

The outlook for manufacturers is brighter. U.S. suppliers will likely be selling goods to nascent businesses in economically advanced republics—Russia, the Ukraine and Belorus—within a year or two.

This is how an American businessman (who doesn't want to be identified) sees the situation. He works for a major Wall Street firm, is fluent in Russian, and spends weeks at a time in Russia trading natural resources—the major products the Commonwealtns can export for hard currency.



ARTHUR MARKOWITZ
Senior Editor

His insight on why American retailers can't open stores in the Commonwealth runs as follows:

There's no manufacturing base to provide the quantity or variety of merchandise to support either a mass market chain like a discounter or a narrow specialty operation like an apparel store. The only free-market experience factories had in the Soviet Union was making goods after meeting quotas set by Moscow. And this production was usually sold by workers to supplement their income, traded for scarce goods from other factories or used as bribes to obtain raw material to manufacture more "illegal" merchandise.

Under the Soviet system, there wasn't any incentive to produce more or better quality goods because there wasn't any national distribution network as roads were poor or non-existent and trucks were owned by the state, which wasn't concerned about distributing consumer goods. Additionally, the ruble was worthless and bribery (see above) was the key form of payment for anything of value.

The individual republics will have to overcome these problems before American retailers can expect to open profitable stores. The key question, he said, was whether the current leaders can manage the transformation or whether some strongman takes over in the next few months.

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New Technology to Improve Customer Service

(Continued from page 2)

The auto kiosks enable shoppers to obtain parts information by asking questions on the model, make and year of their car. It then lists the correct part and suggests tie-in items, such as all the light bulbs should a shopper inquire about headlights.

The home entertainment kiosks show the cover and a list of songs on cassettes and CDs in addition to prerecorded videos carried in the stores. Shoppers can hear 20 seconds of music from a tape's top song or the voice-over promotion for a video.

The kiosks in the CE department provide information on the TVs, VCRs and other electronics carried by Kmart, including features, comparison information and photos of the items.

The home decor terminals present fashion and decorating ideas for tabletop and bed & bath merchandise, showing what a room would look like using different products. An experimental kiosk, it's the only one that doesn't provide information a customer can use to purchase merchandise.

Kmart's current test doesn't involve the kiosk's credit card reader. Using this technology would allow a consumer to actually buy merchandise shown on the kiosk—even if the goods aren't stocked in Kmart—for home delivery. The discounter is interested in probing the use of the terminals to develop such business if it could resolve the logistics and delivery problems, one source said.

Once the initial kiosk pilot is completed next month, Kmart will look at how shoppers use the terminals and measure sales to see if the interactive technology improved the stores' customer service and promoted more purchases. Kmart will also conduct exit and focus group interviews as part of its review.

The kiosks in the auto, consumer electronics and home entertainment offered shoppers a coupon good for 50 cents off any purchase in that department to encourage customers to use the terminals and thereby insure a base of users for the interviews.

Carlson said Kmart didn't have any preconceived ideas about the kiosks. "This is true R&D, we and our partners are pushing the envelop," he said, noting that Kmart wanted to learn how the various terminals can be used to improve the chain's customer service.

He indicated that more tests of kiosks were likely this year and if the project was successful, a roll out of the technology could take place in 1993.

Should Kmart deploy ShopperTrak and/or the Information Center kiosks, it would link these systems to its satellite network and require that the technology be compatible with Unix, the computer operating system that it's phasing in for all its retail technology.

Environment Key To First Brands

DANBURY, Conn. — Placing new emphasis on environmental matters, First Brands has designated a separate department to address green concerns and has promoted Patrick J. O'Brien to the new post of director of environmental affairs.

The new department will address environmental issues on a team basis, said chairman and ceo Alfred E. Dudley, and draw on the talents of First Brands managers in legal, marketing, technical and legislative affairs.

O'Brien will now be responsible for intensified public education, government relations and business relations as they relate to the environment.

Economic Picture Remains Unclear

Leading Economists Discuss Retail Outlook at NRF

(Continued from page 2)

during their statements.

The pendulum of economic optimism swung widely among the economists. It ran from Steidtmann who said the United States is in a depression and that 1992 will experience more bank failures than 1991.

He also noted that "new wave" retailers like The Gap, Home Depot and Wal-Mart will continue to do well since they've focused on the specific needs of their consumers and suppliers.

On the other end was Roach, who admitted that the recession is turning out to be longer than anticipated but will give way this year to a stronger and more durable recovery than previous recessions.

Curtin and Sinai were more middle-of-the-road in their evaluations of the recession and its recovery.

Curtin, who released the results of his December consumer confidence survey, which showed that consumer confidence is at a 10-year low, also feels that the recession has stalled. However, no improvement is expected until mid-year.

In his survey, Curtin said consumer pessimism is linked to weakened personal finances and rising unemployment.

Sinai predicted a better 1992, Christmas included, than 1991, but emphasized that consumers will be more value-conscious than ever.

For '92, Sinai said the economy will "click into a mild recovery, we think" during the second half of the year. He also predicted 1.5% to 2% real growth for '92, inflation at 2.5% to 3%, retail sales up 3% to 4%, or up 1% in consumer terms.

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KNOCK, KNOCK.

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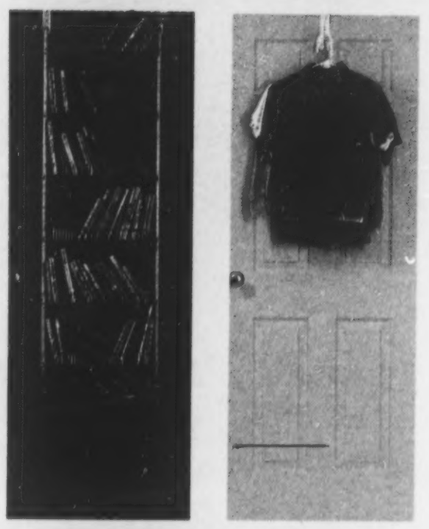

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